



DEPARTMENT OF THE NAVY

TRANSFORMATION PLAN

FY 2014-2016



MOVING FORWARD...
MOVING FORWARD...

Report Documentation Page

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OUR WAY FORWARD



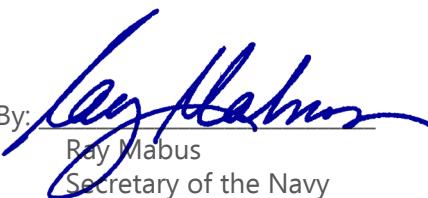
Today's Navy and Marine Corps operate in challenging and complex times. As we transition from a decade of fighting two wars, we are faced with the competing realities of shrinking defense budgets and rising maritime security challenges. Throughout our history, the Navy and Marine Corps team has been called on to act in both war and in peace, and today will play an ever larger and a more vital role on the world stage. We must maintain our ability to be present, not just at the right time, but all the time. Presence is what the Navy and the Marine Corps is all about and the way we maintain presence is to protect our top four priorities: **people, platforms, power and partnerships.**

The current fiscal environment demands all Department of the Navy (DON) leaders critically examine every aspect of the business enterprise to improve effectiveness and to drive down the cost of business operations. This is an all hands effort; every precious tax dollar spent unwisely takes money away from the operational capabilities and readiness of our global force. There are many efforts underway within the Department of Defense that require our attention, however it is important that we remain focused on our primary responsibility of managing and continually improving the department.

To this end, the FY14-16 DON Transformation Plan sets forth the transformation priorities for the department and establishes a clear path forward for both business transformation and institutional reform. While bold action is necessary, we will use data to manage risk and make prudent choices that align our resources to the nation's strategic interests.

Making changes within any large organization is always difficult, but I am confident that through the can-do spirit of the Navy and Marine Corps team, we will succeed. We will work collaboratively to find innovative solutions to today's challenges and ensure we continue to provide a vital national asset that assures allies and deters aggressors - **United States Naval Presence.**

Approved By:



Ray Mabus
Secretary of the Navy

JUL - 2 2014
Date: _____

INTRODUCTION

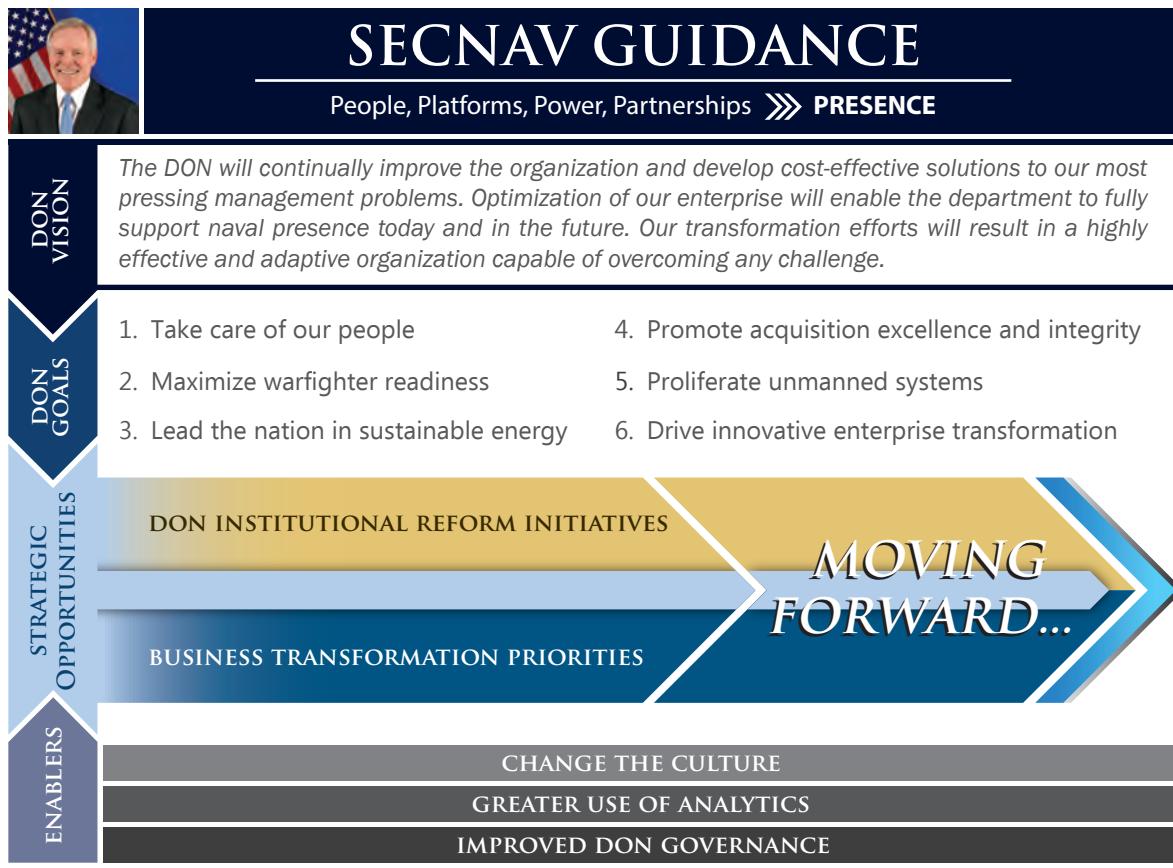
The Department of the Navy (DON) will ensure that resources are responsibly and judiciously allocated to the ultimate benefit of the warfighter and mission accomplishment. Further, the department must continually adapt to a complex and uncertain environment and be prepared for any challenge.

The DON must focus on the effective management of monetary, human and capital resources entrusted to us by the American taxpayer. Strategic management requires enhanced holistic process ownership, accountability and resource allocation relative to the department's overall goals and priorities.

Today the department needs to improve its ability to:

- » Adapt to rapidly changing business and operational environments
- » Strategically align future capabilities with future challenges
- » Improve the front-end business case analysis and requirements definition processes
- » Maximize business process improvement and standardization
- » Identify and attack cost drivers

These changes require a transformation of DON management practices at all levels. To move the department forward, the DON Transformation Plan (DTP) takes a three-pronged approach to position the department for success: achieving business transformation priorities, leveraging strategic opportunities and implementing the DON institutional reform initiatives. The ultimate success of these efforts is enabled by a change of culture, increased use of data-driven decision-making and effective governance.



DOD/DON GOAL ALIGNMENT

Since 2009, the Department of the Navy's strategic goals remain unchanged. The Secretary's strategic vision and clear direction stabilized and focused the department through unprecedented periods of fiscal uncertainty and government disruption.

1. Take care of our people

The DON is committed to attracting, developing and retaining a diverse total workforce trained and equipped to meet our strategic readiness objectives.

2. Maximize warfighter readiness and avoid hollowness

The DON will effectively size our force to meet strategic demands, maintain a credible, capable and combat ready military force.

3. Lead the nation in sustainable energy

The DON continues to support alternative energy efforts, realizing that energy independence is vital to our national security and the safety of our Sailors and Marines.

4. Promote acquisition excellence and integrity

The DON is improving the execution of every program and increasing anti-fraud efforts, and leveraging strategic sourcing to take advantage of economies of scale.

5. Proliferate unmanned systems

The DON will integrate unmanned systems across the entire department ensuring that we can operate in any environment. Our global presence will be sustained and enhanced with our continued investment in unmanned systems.

6. Drive innovative enterprise transformation

The DON will continue to transform our business enterprise, ensuring that available resources are directed to our Sailors and Marines.

The Department of the Navy's business enterprise is inexorably linked to the wider DoD enterprise. To ensure all transformation efforts are complementary and aligned, it is important to fully consider both sets of organizational goals. Figure 1 illustrates the relationship between DoD and DON goals and objectives.

The FY14-16 DON Transformation Plan, similar to the DoD's Strategic Management Plan (SMP) for FY14-15, identifies the most pressing management issues and provides the strategic blueprint to become more effective and better prepared to counter any challenge in the future.



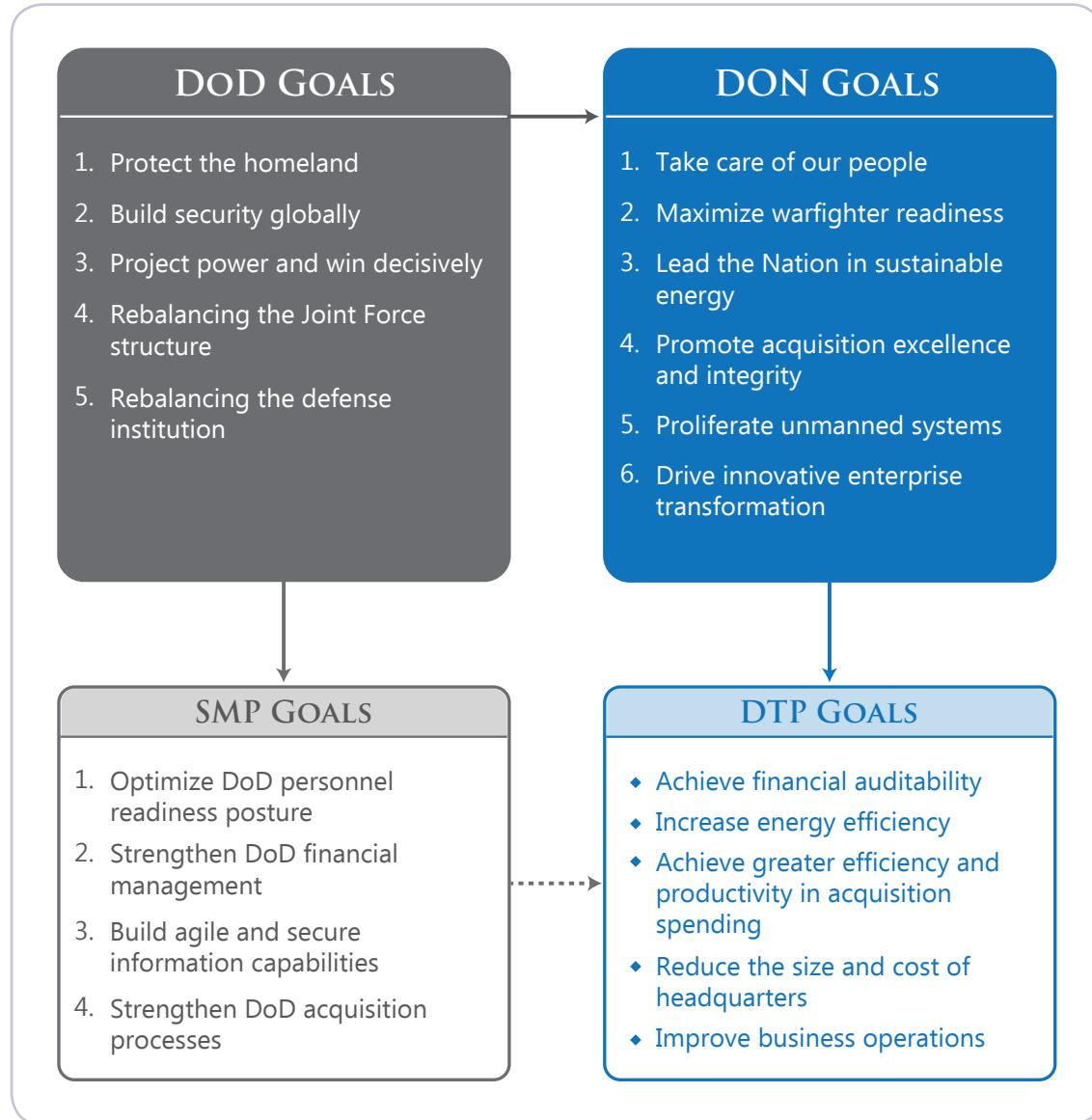


Figure 1: Goal Alignment



DON BUSINESS PRIORITIES (FY14 -16)

Addressing the DON Business Priorities are essential to achieving the DTP goals. These priorities were determined through internal assessments and fully considering the President's Management Agenda, DoD guidance, and the recommendations and findings of external organizations, such as the Defense Business Board and Government Accountability Office.

ISSUE: Achieve Financial Auditability	LEAD: ASN FM&C
<p>GOAL: Achieve and sustain audit readiness on DON's Schedule of Budgetary Activity (SBA).</p>	<p>OBJECTIVES:</p> <ul style="list-style-type: none">Assert audit readiness on Departmental SBA by the end of FY2014, meeting Congressional mandateCommence DON SBA in fall 2014Ensure major commands and external shared service providers can sustain SBA audit readiness and also support an SBA auditContinue executing DON's detailed plan for full financial auditability by FY17

Achieve Financial Auditability

The DON is on track to achieve its audit readiness on respective Schedules of Budgetary Activity (SBA) by the end of FY14. In addition, MilDeps must reach full financial auditability (or, audit readiness on all financial statements) by the end of FY17. Top DON leaders, both uniformed and civilian, support audit readiness objectives and support the major commands in their auditability efforts. Strengthening internal controls governing business processes and systems to ensure compliance with financial audit standards brings tangible benefits to DON. Financial auditability improves accountability for funds and assets, reduces the risk of funds misuse, and in some instances can reduce the cost of business operations.



The DON is on track to achieve its FY14 goal of SBA audit readiness. The Marine Corps received an "unqualified opinion" on its FY12 SBA, and DON plans to complete its assertions on all SBA-related business in FY14. DON must also ensure that Departmental business managers have the training and resources to sustain the improvements made during the audit readiness preparations.

Simultaneously, the DON continues to execute its plan to reach full financial auditability by the end of FY17. This plan includes not only SBA auditability, but auditability on the remaining financial statements, including DON's Balance Sheet.

ISSUE: Improve Energy Efficiency**LEAD:** ASN EI&E**GOAL:**

Continued investment in operational energy capability that enhances DON's operational reach, energy security and independence.

OBJECTIVES:

- Use of hybrid electric drive to cut fossil fuel use
- Installation of Energy Conservation Measures (ECM's)
- Use of third party financing mechanisms
- Procurement of electric vehicles

Improve Energy Efficiency

In support of the President's energy agenda, the SECNAV has committed the Navy and Marine Corps to meeting five energy goals to reduce the DON's overall consumption of energy, decrease its reliance on petroleum, and significantly increase its use of alternative energy. Meeting these goals requires the Navy and Marine Corps to value energy as a critical resource across maritime, aviation, expeditionary and shore missions. Through their efforts, DON will improve operational effectiveness while increasing energy security and advancing energy independence. By adopting energy efficient acquisition practices, technologies, and operations, DON will achieve its energy goals.

**ISSUE:** Better Buying Power 2.0**LEAD:** ASN RD&A**GOAL:**

Ensure affordability and increase productivity in defense spending to deliver better value to the taxpayer and Warfighter.

OBJECTIVES:

- Achieve affordable programs
- Control costs throughout the product lifecycle
- Incentivize productivity & innovation in industry and government
- Eliminate unproductive processes and bureaucracy
- Promote effective competition
- Improve tradecraft in acquisition of services
- Improve the professionalism of the total acquisition workforce

Better Buying Power 2.0

A revision of the Secretary of Defense's original Better Buying Power (BBP) guidance issued in 2010, BBP 2.0 capitalizes on the significant strides accomplished and provides further details on initiatives for increasing efficiencies in order to "do more without more". BBP 2.0 stresses the guidance and initiatives which represents a management philosophy of continuous improvement in acquisition practices and requires continued institutionalization of the initiatives.

In support of BBP 2.0 the DON will continue to expand its Open Systems Architecture (OSA) initiatives and improve the use of intellectual property to gain more effective competition to drive down cost, provide greater capacity to the warfighter and help ensure a sustainable future. DASN RDT&E is measuring progress and will continue to improve our methods.

ISSUE: Reduce the size/cost of Major Headquarters Activities (MHAs) **LEAD:** ASN M&RA**GOAL:**

Reduce the size of staffs, eliminate tiers of management, cut functions that provide little or no added value, and consolidate overlapping and duplicative programs and offices.

OBJECTIVES:

- Coordinate completion of Deputy Secretary of Defense (DEPSECDEF) 20% Reduction Plan
- Implement and track DON's share of the DoD's 20% Reduction Plan
- Validate DON MHA manpower data

Reduce the size/cost of Major Headquarter Activities

On 31 July 2013, the Deputy Secretary of Defense directed a 20% cut in management headquarters spending throughout the DoD. Working with OSD Cost Assessment and Program Evaluation, the DON completed a comprehensive review of all management headquarters to develop a plan to meet this requirement beginning in FY15. This plan meets the requirement of section 904 of the FY-14 National Defense Authorization Act, which directs the Secretary of the Navy to develop a plan to change or reduce the size of staffs, eliminate tiers of management, cut functions that provide little or no added value, and consolidate overlapping and duplicative programs and offices.

**ISSUE:** Improve Business Operations**LEAD:** DUSN (Management)**GOAL:**

Improve performance and/or reduce cost of DON business operations.

OBJECTIVES:

- Deliver maximum value on business IT investments
- Maximize IT functionality
- Develop a DON business intelligence strategy
- Conduct strategic assessments:
 - Reduce DON travel costs
 - Improve DON supply chain management
 - Minimize fuel price volatility

Improve Business Operations

Opportunities exist to transform current DON business practices that will result in improved effectiveness and affordability. Making significant improvements to existing practices will require a critical examination of interdependencies and root cause challenges that exist in and amongst the functions and components of the DON business enterprise.



Deliver Maximum Value on Business IT Investments

Over the past several decades, leaders in industry have developed technological and process innovations which possess the potential to fundamentally transform DON business operations. While traditionally the DON has been slow to adopt these industry trends, today the department is working aggressively to ensure that all technology investments are delivering high return on investment for the taxpayer. With just under 500 Defense Business Systems supporting the work of hundreds of thousands of people, the department must take a holistic view on total business operations efficiency and effectiveness including people, processes, and systems.

Moreover, the DON will work with a wide range of stakeholders to develop a unifying vision for each functional business mission area and ensure that vision is supported by a cost-effective and agile IT architecture. DUSN (Management) will work with their partners in OSD to ensure the DON BMA is appropriately aligned to higher-level strategic imperatives and that all business systems comply with the wide range of statutory and policy-driven requirements.

Maximize IT Functionality

Today's fiscal environment and rapid pace of technological innovation demand that the DON rethink its approach to Information Management (IM), Information Technology (IT)/cyberspace and Information Resource Management (IRM) policies, processes and programs. The DON should leverage best practices to ensure strategic alignment in order to maximize functionality in the most cost-effective way possible. To this end, the DON CIO, in support of the DON enterprise, will foster a cost-conscious culture that ensures IT/Cyberspace solutions are based on best-value analysis and are integrated into a larger enterprise-wide architecture.

Business Intelligence Strategy

Deputy Under Secretary of the Navy (DUSN) Management, ASN (FM&C), DON Chief Information Officer, and other stakeholders will develop a comprehensive Business Intelligence (BI) Strategy for the DON. To effectively manage the DON Business Enterprise, senior leaders require timely and relevant business information from operational systems in order to make insightful decisions, identify and measure risk and allocate resources. This strategy will seek to optimize the department's use of processes, technology, business systems and analytic tools to turn data in to actionable intelligence. The DON BI strategy will address data standardization, governance, resourcing and security. In the future, a comprehensive Business Intelligence system will enable users from across the business enterprise to access rich information to analyze, report and present in a user-specified format.

Strategic Assessments

Over the past several years, significant savings have been achieved by challenging the underlying assumptions and fundamental business problems that drive investments in DON business systems. The department will conduct strategic assessments of existing business process and management issues to determine if continued investments provide the best value for the DON and develop viable alternative solutions. Anticipated focus areas for FY14-16 include enterprise cost-management framework, DON travel costs, supply chain management, and fuel price volatility.

FUNCTIONAL OWNERS OF THESE PRIORITY ISSUES WILL REGULARLY PROVIDE STATUS UPDATES TO THE CHIEF MANAGEMENT OFFICER'S ADVISORY GROUP.

STRATEGIC OPPORTUNITIES FOR TRANSFORMATION

BUSINESS TRANSFORMATION OPPORTUNITIES

DON Installation Management	DON IT Management
SYSCOM Optimization	Planning, Programming, Budgeting and Execution System Reengineering

The SECNAV Memorandum of 29 August 2013 directed DUSN (Management) to identify business challenges and opportunities to meet the DoD directed 20 percent Headquarters reduction. DUSN (Management) assembled subject matter experts from across the DON business enterprise. The working group identified over 20 topics for initial consideration, from which five were presented to the DON Business Transformation Council (BTC), while others were deferred for further study and analysis.

The assessment of these complex opportunities will continue through FY14. The results will be presented to the DON BTC for final recommendation to the DON Chief Management Officer. Approved options could be implemented as soon as FY15.

The three step process illustrated in figure 2, *opportunity identification, option development and assessment, and implementation of solutions*, will be used in the future for large-scale transformational opportunities.



Figure 2: Opportunity Timeline

DON INSTITUTIONAL REFORM INITIATIVES

The DON will undertake responsibly bold actions to ensure the institution continues to evolve and adapt to a volatile and uncertain environment. DON Executive Leaders have identified opportunities within their organizations to position the department to overcome emerging fiscal and operational challenges. These reform initiatives will result in an improved and more responsive alignment to DON goals and better support to naval operating forces.



PEOPLE INITIATIVES

Initiative	Description	Responsible Organization	Estimated Completion Date
Financial Management Workforce Development	Develop and implement a professional development roadmap for the DON Financial Management Workforce, focusing on required audit skillsets and dovetailing with the DoD FM Certification Program.	ASN FM&C	October 2014
DON Diversity and Inclusion	Establish the DON Diversity and Inclusion Council as the leadership forum to develop policy and provide oversight of various diversity and inclusion initiatives.	ASN M&RA	July 2014
Reform the Foreign Area Officer/ Defense Attaché Community	Ensure that only the best and most highly qualified personnel in the DON will serve in the DAS and that DON FAOs are prepared to support and influence plans and operations, build and strengthen international partnerships, and serve as key enablers for joint, maritime, and expeditionary forces.	DUSN (Policy) / ASN M&RA	September 2014
Utilization of the Reserves	Optimize the services AC/RC force mix, define the future strategy for effective use of the RC in Phase 0 operations and during steady-state operations.	ASN M&RA	September 2015
Personnel Security Investigation Reform	Develop an automated continuous evaluation process to detect, identify and mitigate potential insider threats and integrate Personnel Security Investigative (PSI) requirements into the Total Ownership Cost of Manpower.	DUSN (Policy)	March 2016
Safety Workforce Talent Reform	Establish and implement a professional development program to professionalize the DON safety workforce.	ASN EI&E	October 2016
Modernize and Rebalance Service Member and Family Support	Review and assess service member and family support programs to maintain proper balance of community, installation, and deployed capabilities.	ASN M&RA	TBD



PLATFORM INITIATIVES

Initiative	Description	Responsible Organization	Estimated Completion Date
Right-size & revive the NCIS Economic Crimes (EC) Department	Rebuild the EC Department resources, commensurate with DON procurement activity.	OGC	August 2014
Research and Development rebalance to the Pacific	Examine investment options for DON to ensure future warfighting effectiveness in the Pacific Theater.	ASN RD&A	September 2014
Prior Criminal Records	Explore the feasibility of additional Federal Acquisition Regulation (FAR) provisions expanding use of prior criminal convictions for present responsibility determinations.	OGC	October 2014
Improve the Business Value of Navy ERP	Ensure the successful sustainment of Navy ERP while prioritizing Navy ERP enhancements to maximize its value to the DON.	DUSN (Management)	September 2016
Comprehensive Contracting Reform	Institutionalize a process for Contractual Services to identifiable requirements with an appropriate level of oversight throughout the resourcing and execution process.	ASN RD&A	TBD



POWER INITIATIVES

Initiative	Description	Responsible Organization	Estimated Completion Date
Institutionalize environmental sustainability on land and sea	Incorporate sustainable environmental and energy design principles in military construction and acquisition processes.	ASN EI&E	January 2016
Integrated Island Utility Infrastructure (I2I) Conceptual Design	Create a design competition to develop imaginative energy, power, and water solutions at isolated locations.		September 2016

Initiative	Description	Responsible Organization	Estimated Completion Date
Conduct single design concept competition for "Installation of Tomorrow Ashore" (IOTA)	A creative re-imagining of 2 or 3 existing installations that would meet energy, environmental, and resiliency goals.	ASN EI&E	September 2016



PARTNERSHIP INITIATIVES

Initiative	Description	Responsible Organization	Estimated Completion Date
Develop an International Engagement Plan	Coordinate efforts and collaboratively develop a headquarters-level international engagement plan that supports DoD strategic objectives and complements the theater level efforts of the Service Components to ensure more consistent and comprehensive engagement with international partners.	DUSN (Policy)	January 2015
Build Sustainable Partner Security Capacity	Strengthen Department of the Navy integration of security sector assistance assessments, planning, program design, implementation and evaluation efforts to build sustainable partner security capacity.		June 2015
Create partnerships with academic and non-profit institutions	Leverage common research interests to enhance sustainable energy efforts that benefit both Navy and private sector interests.	ASN EI&E	On Going
Cultivate strategic partnerships with state, local, and other federal government agencies	Network resources and capabilities within the government to include innovations, knowledge, and experience in support of DON energy goals.		On Going

To ensure these initiatives progress and to maintain synergy across the department, process owners will provide regular updates to the Secretary of the Navy. Issues that require wider collaboration will be forwarded to the BTC for resolution.

"INFUSING A CULTURE OF INNOVATION AND ADAPTABILITY THAT YIELDS TANGIBLE RESULTS INTO AN ORGANIZATION AS LARGE AS THE DEPARTMENT OF DEFENSE IS BY NECESSITY A LONG-TERM, INCREMENTAL UNDERTAKING." – 2014 QDR

The most important change that must occur to manage the new fiscal reality is the fundamental transformation of our business culture. The past decade of expanded defense budgets permitted an environment that resulted in organizational growth and increased support for mission demands.

Now, as defense budgets contract, the approach of the business enterprise must shift to create a cost-management culture. Managing during contraction cycles must assume a different perspective and skill-set than managing during periods of fiscal growth. Leaders at all levels must carefully scrutinize how resources are used to determine if investments make fiscal sense, and they must ultimately decide what the DON can no longer afford to do or purchase. Difficult tradeoffs are inevitable and the DON business enterprise must adapt accordingly.

The following guidelines will assist in transforming the business culture of the DON:

- » The approach outlined in the DTP must be championed by leaders throughout the department.
- » Transformation goals and outcomes must be understood and communicated to all leaders.
- » Execution of business transformation is a continuous process that must be measured, evaluated and updated when required.
- » Establish linkage between employee performance and DON strategic goals.

The new fiscal environment demands we adopt a new management approach – focused either on improving business operations or reducing the cost of doing business. We must get the most out of every dollar we spend, for simply accepting the status quo is no longer acceptable. Today, there is no gap between effective business management and naval operations, as every dollar misspent takes away from our **people, platforms, power and partnerships** and diminishes our ability to maintain global **naval presence**. All leaders in the Department of the Navy must foster a culture that emphasizes cost consciousness and makes every taxpayer dollar count.



Since 2009, the Obama administration has emphasized the increased use of data-driven decision making across the executive branch. The DON collects and reports a vast amount of data internally and externally to various stakeholders, however data collection, analysis, and reporting efforts are often disconnected, costly, and lack sufficient context to be actionable. It is important that leaders are provided with accurate and authoritative data in order to facilitate effective decision-making.

An effective performance management/improvement program, supported by rich data, helps achieve goals by identifying what is working and what areas need fixing. The Office of Management and Budget identifies six practices that promote more effective performance management and improvement processes:

- » Goal setting
- » Measurement of performance and indicators
- » Ongoing analysis
- » Use of evidence in decision making
- » Data-driven reviews
- » Information dissemination that is timely, accessible and user-friendly

As a result of the *Digital Accountability and Transparency Act* the DON will collect and process an unprecedented amount of data. To maximize the benefit of this legislation, the DON must develop a data and analytics-savvy workforce. DUSN (Management) will continue to work with OSD DCMO and key DON stakeholders to create an effective process that supports management and business transformation efforts at all levels.

While the DTP identifies the top management issues, the topics covered are not all-encompassing. Leaders at all levels must continually assess business operations, streamline processes and organizations, and optimize the use of resources. A variety of tools and methods have been implemented over the past decade to assist leaders to accomplish this task. Analytical methods, such as business process reengineering, continuous process improvement and Lean Six Sigma are widely accepted throughout the defense community of practice and their use is encouraged.



While there are numerous governance bodies at various echelons within the department, the DON Business Transformation Council (BTC) is the senior level governing body which assesses, approves and governs transformation efforts that cross organizational or functional boundaries. It is the forum to lead enterprise strategic management and direct corporate actions. The BTC ensures that management information and decisions are communicated and executed throughout the DON and reflected in recommendations made to OSD governance forums, when appropriate.

As business transformation efforts have evolved, a more responsive and effective governance structure has been implemented. This new structure engages key stakeholders in a comprehensive decision making process. The three-tiered structure helps improve collaboration and optimizes the involvement of senior leadership to directly support the Chief Management Officer's decision making needs.

DON Business Transformation Council

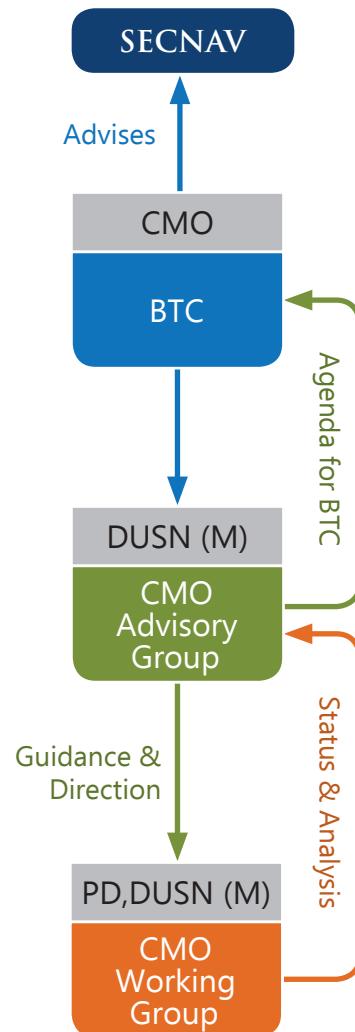
The DON Business Transformation Council is comprised of the Assistant Commandant of the Marine Corps, Vice Chief of Naval Operations, Assistant Secretaries of the Navy, Deputy Under Secretaries of the Navy and Special Staff Advisors. The mission of the BTC is to serve as the senior decision making forum for cross-cutting business issues within the DON. The DON BTC is chaired by the Under Secretary of the Navy and DUSN (Management) serves as the executive secretary.

CMO Advisory Group

The Chief Management Officer Advisory Group (CMO AG) is comprised of Principal Deputy Assistant Secretaries of the Navy (PDASNs) and B Codes of BTC Members and could be expanded for specific issues at the discretion of DUSN (Management). The CMO AG will serve as the primary advisory group to identify issues for the BTC's consideration, socialize the BTC agenda, receive CMO guidance and direction, conduct non-decision making business, develop implementation plans and monitor execution. DUSN (Management) chairs the advisory group, which convenes several times annually.

CMO Working Group

The CMO Working Group is comprised of GS-15/O-6 level action officers representing the primary members of the BTC. Their role is to conduct research on topics of interest to the CMO, share best practices, identify opportunities to transform business operations, socialize topics of interest and provide support to the CMO AG. The Principal Deputy (PD) DUSN (Management) chairs the CMO WG which convenes quarterly or as required.



THESE COLLABORATIVE FORUMS ENABLE STAKEHOLDERS TO FIND INNOVATIVE SOLUTIONS TO THE MOST CHALLENGING PROBLEMS AND TO IDENTIFY PROMISING OPPORTUNITIES TO IMPROVE DON BUSINESS OPERATIONS.

SUMMARY

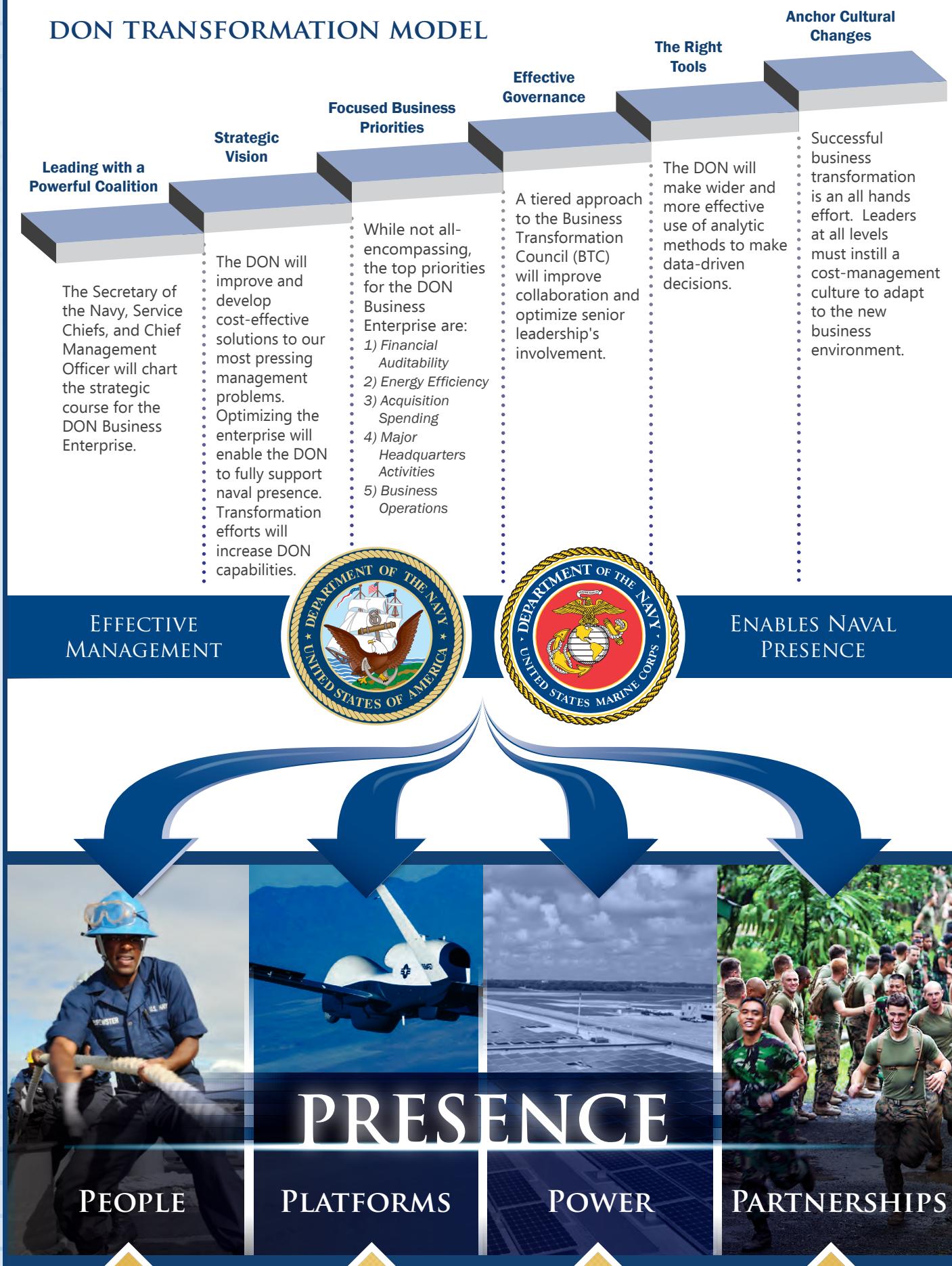
The FY14-16 DON Transformation Plan translates the Secretary of the Navy's strategic guidance into a blueprint for the entire department to follow. Changing culture, wider use of analytics, and effective governance will enable the department to transform business operations and to reform the institution so we continue to provide the nation a vital service through global naval presence.

The Navy and Marine Corps are operating in challenging operational and fiscal times and it takes an all-hands effort to make the necessary improvements that position us to move forward as an efficient organization, prepared to accomplish any mission we are given.

The Office of the DUSN (Management) is the department's focal point for monitoring and assessing the execution of the DTP and it will make revisions as directed by the DON Chief Management Officer, when required.



DON TRANSFORMATION MODEL





This document was created by the DUSN (Management). To provide feedback or to submit efficiency ideas email: DON_EFFICIENCIES@navy.mil
